!!!!! Write legibly – no points will be given to scrawled answers !!!!!
You may write as much as you can but what matters is the amount and value of information related to the merit of the question asked. Before you start writing, take a while and think your answer through. You may use graphs whenever you feel your argumentation is going to be better.

Question #1 [30 minutes]
Migration from the "new" EU members was one of the major fears of the "old" EU member states. Consequently majority of the "old" EU members introduced restrictions on one of the Acquis related to the free movement of people.

a) Did lifting of the restrictions have had any effect on migration from the new EU member states? Do any other factors influence immigration? Discuss key determinants and barriers to migration.
b) Discuss impacts of such immigration on native workers, on their employment and wages. Will the effects be different for skilled and unskilled workers?
c) Do firms (and economies in general) benefit from growing ethnic diversity of their workforces? Discuss.

Question #2 [20 minutes]: There was a large increase in income inequality in the Central and Eastern European (CEE) and the Commonwealth of Independent States (CIS) countries during and after their economic transition. Was it mostly a positive or negative phenomenon? What could be the driving forces behind the observed rise in wage inequality in the CEE and CIS countries? Discuss.

Question #3 [15 minutes]: Answer the following questions as True, False or Uncertain and briefly explain your reasoning, use diagrams if needed:

a) According to the Borjas (1987) selectivity theory, for workers who immigrate to the United States from a country with a less equal distribution of earnings the largest potential gain exists for unskilled workers. Thus there is a higher probability of positive selection of migrants from that country to the U.S.

b) In general, women in low-paying jobs tend to earn a lower percentage of male earnings (for those males in low-paying jobs) than women in high-paying jobs.

c) In the model where employers discriminate against females, those employers that devalue the productivity of the females more than other employers will earn a lower profit.

Question #4 [15 min]

You have read an article informing that someone *used OLS regression estimating Mincerian earnings equation for the Czech Republic in year 2014. He reports estimated returns to a year of education being 9%. Based on that, the author advised the Czech government to subsidize more study slots at Czech universities arguing that his estimates indicate very high social returns highly above banking market interest rate.*

As a labor economist, question and *critically* debate the content of this message vis-à-vis what you have learnt about the theory of human capital, the essence of the Mincerian model, estimation approaches, interpretation of estimates, policy impacts.

Question #5 (~40 min):

Consider single person static labor supply model with one consumption good X produced at home and sold on the market at price **p=1**. Consider a worker who in optimum (interior solution and not corner solution) works full-time (L_M=8 hours a day), works non-zero hours at home (L_H>0) and enjoys non-zero leisure time (l>0). He has standard preferences $u(X,l)$.

Construct a table (3x3) identifying how small decrease in column A variables affects variables in column B (increase ↑, decrease ↓, no change **0**, indeterminate **?**). *Consider all 9 pairs of effects*!

A – treatment variable	B – outcome variable
Price of good X ↓	Work time at home L_H
Tax imposed on overtime-work earnings ↓	Leisure time l
Income tax rate (flat) ↓	Consumption of X

Accompany each of your 9 answers by clear text or/and supporting graph (well labeled! & better use pencil). Do not forget to state necessary assumptions if needed.