

Chapter 5 practice

1. Consider Table 5-1 and compare the fatality rate of workers in the mining, construction, manufacturing, and financial industries?

(a) What would the distribution of wages look like across these four industries given the compensating differential they might have to pay to compensate workers for risk?

(b) Now look at average hourly earnings in 2006 by industry as reported in Table 614 of the 2008 *U.S. Statistical Abstract*. Does the actual distribution of wages reinforce your answer to part (a)? If not, what else might enter the determination of median weekly earnings?

2. The EPA wants to investigate the value workers place on being able to work in “clean” mines over “dirty” mines. The EPA conducts a study and finds the average annual wage in clean mines to be \$42,250 and the average annual wage in dirty mines to be \$47,250.

(a) According to the EPA, how much does the average worker value working in a clean mine?

(b) Suppose the EPA could mandate that all dirty mines become clean mines and that all workers who were in a dirty mine must therefore accept a \$5,000 pay decrease. Are these workers helped by the intervention, hurt by the intervention, or indifferent to the intervention?