

Final Exam
Econ 816
5/8/03

Unemployment is a big issue in the United States. There are a number of critical questions that we do not have answers to. Answer all three of the questions below:

- 1) Suggest a nonparametric estimation method to measure the effects of important characteristics on how long it takes people to get jobs and then how long they stay in those jobs.
- 2) A program is proposed to provide unemployed people with training opportunities. There are two types of training opportunities: 1) general work skills such as promptness, teamwork, etc.; and 2) specific skills such as how to use a computer. People can choose to get general work skills training, specific skills training, or not participate in the program. How can we use data on the experiences of a cross section of participants and nonparticipants to measure the effects of the various choices? Be as specific and precise as possible.
- 3) A proposal is made to replace Unemployment Insurance (UI) with a program where unemployed people get a large stipend at the beginning of a spell of unemployment but then no subsequent payments. In other words, the amount one collects in UI benefits would be independent of the length of the unemployment spell. Construct a model to measure the effects of this proposal, describe the data you would need to estimate the parameters of your model, and explain how to estimate it.