

## Problem set 3

**This problem set is due at 12 noon on Thursday 28 February. Late problem sets are not accepted— no exceptions. See the syllabus for details.**

This problem set consists of a three short essay-style questions addressing issues that we will not be able to discuss in depth in the lectures. Keep your answers short, definitely not more than 1 page per question (and preferably less). Provide point-wise answers (rather than a fully fledged essay) whenever possible. You should be able to find all relevant information in the reading material for this course.

1. Briefly discuss the role of strikes in the theory of labour relations. In particular, discuss (*i*) the relation with the monopoly power of the union and (*ii*) the theoretical problems in explaining the actual occurrence of strikes.
2. What problems do arise in explaining the decision of workers to join unions? How does this impact our discussion of endogeneity problems in the empirical analysis of the effects of unions on wages (as in, for example, Problem set 2)?
3. Provide evidence (that is, try to find some data) in favour of (or against) the view that long-term relationships are important in the UK labour market (that is, that the UK labour market is not a spot market). Here, you can think of both direct evidence on the length of employment relationships in the UK and indirect evidence on the existence of compensation schemes and other human resource policies that are inconsistent with spot labour markets (explain!). Can you indicate in which sectors of the labour market (corresponding to for example specific skills, etcetera) relationships seem to most important?