

BOTSWANA OPEN UNIVERSITY

Bachelor of Commerce

Human Resources Management & Industrial Relations

LABOUR ECONOMICS

EC222

SESSIONAL EXAMINATION

Marks – 100

Instructions

1. The examination consists of four sections: A, B, C and D.
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English.



SECTION A

[10 MARKS]

MULTIPLE CHOICE QUESTIONS

Answer ALL questions

Each question carries 1 mark

1. Marginal revenue product is defined as _____.
 - A. The amount that a unit of a factor adds to a firm's total revenue during the period
 - B. The amount that units of additional factors add to a firm's total revenue during the period
 - C. The amount that all the units of a factor adds to total revenue for a firm during the period
 - D. Total sales received after employing an additional person

2. What is the effect of a substitution effect of a higher wage?
 - A. Decreases the amount of labour supplied and increases the amount leisure
 - B. Increases the amount labour supplied and reduces the amount of leisure
 - C. Increases the level of utility for the consumer
 - D. Reduces the level of utility for the consumer

3. The imposition of a minimum wage above equilibrium wage in the labour market _____.
 - A. Results in excess demand for labour
 - B. Causes excess supply of labour which reduces unemployment
 - C. Results in excess supply of labour which leads to high unemployment
 - D. Causes the supply curve of labour to shift to the right



4. The difference between a monopsony and monopoly is that _____.
- A. Both firms are price takers
 - B. A monopoly needs to change price to change quantity while a monopsony does not
 - C. A monopoly is a price taker while a monopsony is not
 - D. For a monopoly, marginal revenue is less than price while for a monopsony the marginal factor cost is greater than price
5. Unions can increase the marginal product of the members by _____.
- A. Encouraging investment in human capital
 - B. Reducing the use by the firms of substitute factors
 - C. Increasing the demand for the products that the labour produces
 - D. All of the above
6. The fundamental principle of the classical theory is that _____.
- A. The economy is self-regulating and there is a need for invention
 - B. The economy is self-regulating and there no is need for intervention
 - C. unemployment is inherent within the unstable capitalist system and periodic crises of mass unemployment are to be expected
 - D. when there is increase demand in the economy, companies will produce more goods and services
7. Which one is not a type of unemployment?
- A. Seasonal
 - B. Frictional
 - C. Demand deficient
 - D. None of the above



8. Which one of the following is not part of the pillars of the human capital index?
- A. Enabling environment
 - B. Health and wellness
 - C. Organisation
 - D. Workforce and employment
9. _____ is a source of monopsony power
- A. Unemployment
 - B. Wage inequality
 - C. Low marginal revenue product
 - D. Discrimination
10. Which one of the following is not a feature of the segmented labour market theory that clearly differentiates it from neoclassical labour economics?
- A. Tastes and attitudes in labour market are treated as exogenous
 - B. Segmented labour market theory views the labour market as systematically differentiating the job rewards achieved by comparable individuals
 - C. Market forces do not play a role in influencing labour market outcomes
 - D. None of the above



SECTION B –TRUE/FALSE QUESTIONS

[10 MARKS]

Answer all questions. Each question carries ONE (1) mark.

State whether each of the following statements is TRUE or FALSE

1. Labour market discrimination means that the market attaches some value to a worker characteristic that is not correlated with the workers' individual productivity.
2. In a craft union, the labour class is not grouped based on particular trade or occupation.
3. In a sympathetic strike, labourers stop their work to enforce their economic demands such as wages and bonus.
4. Seasonal migration happens when people move during specific seasons (such as crop harvesting) to work and then go back when the season is over.
5. Youth employment leads to decreased incidence of poverty, depression, and stress, is linked to higher life expectancy and good health.
6. As a firm changes the quantities of different factors of production it uses, the marginal product of labour may not change.
7. A buyer has monopsony power if it faces a downward-sloping supply curve for a good, service, or factor of production.
8. In a competitive labour market, increasing the wage requires either increasing the demand for labour or reducing the supply.
9. According to the theory by Keynes, when there is decrease demand in the economy, companies will produce more goods and services.
10. Geographical immobility occurs when workers are unable to move from areas of high unemployment to areas with labour shortages.



SECTION C

[30 MARKS]

SHORT ANSWER QUESTIONS

Answer ALL questions

1. Explain two solutions to structural unemployment. **(5 marks)**
2. Justify two importance of having a strong human capital base. **(5 marks)**
3. Outline 5 factors that explain wage inequality. **(5 marks)**
4. Distinguish between economic and firm impacts of discrimination. **(5 marks)**
5. Differentiate between a general union and an industrial union. **(5 marks)**
6. Identify 5 causes of strikes in the labour market. **(5 marks)**

SECTION D

[50 MARKS]

ANSWER ANY TWO QUESTIONS IN THIS SECTION.

QUESTION 1

(25 MARKS)

Describe and explain the implications of the four (4) contemporary theories of unemployment to the economy of Botswana.

QUESTION 2

(25 MARKS)

Describe the sources of human capital differences in general and highlight the significance of human capital in the Botswana economy.

QUESTION 3

(25 MARKS)

Assume there has been an outcry concerning low labour supply, increasing inequality and increased discrimination in the labour market. Suggest some proposals for dealing with these three critical issues in the economy.