

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In collaboration with

ZIMBABWE OPEN UNIVERSITY

Bachelor of Commerce Degree

Human Resources Management & Industrial Relations

LABOUR ECONOMICS

EC221

SESSIONAL EXAMINATION

Marks – 100

3 hours

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 each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English.

SECTION A

[10 MARKS]

MULTIPLE CHOICE QUESTIONS

Each question carries 1 (ONE) mark

1. Labour economics is **not** concerned with _____.
 - A. The demand and supply of tractors and how it influences labour
 - B. The demand and supply of bread
 - C. The level of discrimination in the labour market
 - D. The extent of child labour and how to deal with it

2. The value of marginal product (VMP) applies to _____ labour markets.
 - A. Perfectly competitive
 - B. Monopoly
 - C. Bilateral monopoly
 - D. Imperfectly competitive

3. A bilateral monopoly is made up of _____.
 - A. The firm and the trade unions
 - B. The monopoly and another monopoly
 - C. A single firm and a single trade union in the industry, where a closed shop exists
 - D. The biggest firm in the market and the biggest trade union

4. Which of the following explains the most probable impact on the market for labour after an increase in the marginal revenue product (MRP) of labour?
 - A. The revenue earned will increase regardless of what happens to the price of the final product produced by labour.
 - B. The supply curve for labour will shift to the right
 - C. The demand curve for labour will shift to the right
 - D. None of the above



5. “Unemployment hysteresis” refers to a situation where _____.
- A. High rates of unemployment that keep persisting
 - B. High teenage unemployment
 - C. High global unemployment
 - D. None of the above
6. If the price of wooden chairs by carpenters increases, which of the following is most likely to be correct?
- A. The size of the marginal revenue product (MRP) decreases
 - B. More wooden chairs will be sold, *ceteris paribus*
 - C. The productivity of labour will decrease like wise
 - D. The additional revenue earned on each unit produced will increase
7. The term *earnings* refers to _____.
- A. Only the real wage
 - B. The amount actually earned only
 - C. The money actually earned, including all bonuses, fringe benefits and other benefits
 - D. Only the nominal wage received
8. Which of the following is a probable stimulus to an increase in productivity in less developed countries?
- A. Improved performance measurement
 - B. Verbal recognition of high performance
 - C. Employees doing more and more challenging tasks
 - D. Better diet arising from improved wages
9. When a firm in perfect competition starts earning negative marginal product as they increase successive units of labour, it means _____.
- A. The firm is now experiencing the law of diminishing returns
 - B. The firms total revenue will not be affected, *ceteris paribus*
 - C. The firm is now making losses

- D. The firm's total revenue will decrease, *ceteris paribus*
10. Which one of the following is the main difference between the labour market and goods market?
- A. Labour cannot be bought permanently unlike goods
 - B. Goods are sold in the market and labour elsewhere
 - C. The labour market is bigger than the goods market
 - D. Goods are scarce whilst labour is not

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 demand is the same as the quantity of labour demanded; the only difference is that the demand for labour is influenced by a change in the wage rate.
2. Price elasticity of demand is the responsiveness of quantity demanded due to a change in the price of another related good.
3. The goods market deals with the demand and supply of goods and services whilst the labour market deals with the demand and supply of labour.
4. The price of labour is the wage rate, and the equilibrium wage rate in the labour market is the one given by minimum wage legislation.
5. The marginal revenue product (MRP) of input Y is the additional revenue produced by employing an additional unit of input Y.
6. Restricting the supply of labour is one way in which firms may attempt to raise the wage rate.
7. The minimum wage act is usually meant to protect white collar job employees from being underpaid by employers.



8. The backward-bending supply curve of labour is positively sloped at high wages and negatively sloped at lower wages.
9. On a straight line demand curve, that touches the price and quantity axis, the price elasticity of demand is unitary (1) at the midpoint of this demand curve.
10. A tractor driver and the John Deere tractor are complements in consumption and not complements in production.

SECTION C

[30 MARKS]

SHORT ANSWER QUESTIONS

Answer ALL questions.

1. Articulating at least three reasons, differentiate between the goods' market and the labour market. **(6 marks)**
2. Explain three determinants of labour supply? **(6 marks)**
3. Using a well-labelled diagram, show what would happen in the labour market for tractor drivers if the following happened. (Illustrate your answer starting from an equilibrium position).
 - a) There is an increase in the price of tractors. **(5 marks)**
 - b) There is an increase in number of farmers. **(5 marks)**
4. State any three conditions for perfect competition in a labour market. **(3 marks)**
5. Explain at least three objectives that management seeks to achieve during a negotiated labour agreement. **(6 marks)**

SECTION D

[50 MARKS]

ESSAY QUESTIONS

ANSWER ANY TWO (2) QUESTIONS IN THIS SECTION

Question 1

25 MARKS

Read the following excerpt and answer the questions that follow.

Unemployment undermines poverty eradication initiatives

Although the Central Statistics Office puts the rate of unemployment at 17.8% of people who are eligible to work in 2009/10 some estimates put it at about 25%. By the end of the first decade of the 21st century the population living below the poverty line was estimated at about 40%. These figures are staggering, to say the least. Former University of Botswana academic Kenneth Good, argues that "Botswana has both the wealth and the state capacity to reduce poverty substantially, should the elite have chosen this as an original developmental goal. Consistent with the values of liberal democracy, the ruling elite have not addressed poverty eradication directly." Another UB academic, K. Osei-Hwedie states, "The government of Botswana has implemented social policies to assist vulnerable groups such as the destitute, the elderly and remote area dwellers (RADS). Despite these efforts, many individuals and households continue to experience poverty." Poverty is a multidimensional phenomenon and it requires a multidisciplinary approach to tackle it. Osei-Hwedie says poverty eradication is more successful when there are initial favourable conditions in the prevailing socio-economic structure, the level of the physical infrastructure and the level of human development. This is because productivity gains to be higher and shared more widely, under such conditions.

In this era of new global competitiveness how well we train and attract and employ talent is key. Our education system right now produces unemployable graduates.

From: <http://www.mmegi.bw/index.php?sid=10&aid=1088&dir=2013/february/Friday15#sthash.ZTzStkRc.dpuf>

- a. Explain three reasons why unemployment can become a serious problem for any economy, including even Botswana? (6 marks)
- b. Highlight and explain two types of unemployment found in Botswana nowadays, that are suggested in the case above. (6 marks)

- c. As a labour practitioner, evaluate four feasible solutions that the government can use, so that a sustainable solution to the problem of unemployment is reached in Botswana. **(8 marks)**
- d. Using a Phillips curve, outline why governments cannot easily deal with the problem of unemployment. **(5 marks)**

Question 2

25 MARKS

Use the information given in the table below to answer the questions that follow.

Price of labour (Pula per hour)	Quantity of labour Supplied	Quantity of labour Demanded
200	8	16
400	8	14
600	8	10
800	8	6
1000	8	2

- a. Plot the demand and supply curves on a well-labelled axis and mark the equilibrium point with an X. **(10 marks)**
- b. What is the equilibrium wage and quantity of labour in this market? **(4 marks)**
- c. Determine the price elasticity of demand for an increase in the wage from P200 to P400, and comment on your answer. **(6 marks)**
- d. Discuss possible reasons for the shape of the supply curve you plotted in a. above. Give examples of possible markets which may explain the nature of the such a supply function. **(5 marks)**

Question 3

25 MARKS

a. Discuss any two theories of discrimination giving relevant examples.

(8 marks)

b. Despite the Equal Pay Act of 1963, why is it that employers still tend to pay men more than women.

(5 marks)

c. Explain any four types of unemployment that are involuntary in nature.

(12 marks)

END OF EXAMINATION!!!