

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

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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

Each question carries 1 (ONE) mark

1. Labour economics is **not** concerned with the following _____
 - 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. To which market systems does the value of marginal product (VMP) apply?
 - A. Perfectly competitive labour market
 - B. Monopoly labour market
 - C. Bilateral monopoly labour market
 - D. Imperfectly competitive labour market

3. Which pair of participants make up a bilateral monopoly?
 - A. The firm and the trade unions
 - B. The monopoly and another monopoly
 - C. An industry made up of 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. An increase in the marginal revenue product (MRP) of labour has the following impact on the market for 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. The greatest threat to unions arises from _____.
- A. Lack of good leadership
- B. Stubborn employers
- C. Non-union workers who can supply the same labour
- D. The after effects of the recent recession
6. If the price of wooden chairs 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. Which one of the following is not an attempt to deal with the problem of high unemployment?
- A. Featherbedding
- B. Increasing unemployment benefits by 100%
- C. Reducing the retirement age from 65 to 60
- D. Restrictive immigration laws
8. Which of the following is postulated as a determinant that can increase 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. Productivity is a concept of measuring the ratio of total output to a weighted average of inputs.
2. A stay-at-home father, who is much happier taking care of kids at home than working, is not considered to be unemployed.
3. Price elasticity of supply is the responsiveness of quantity supplied due to a change in the price of the same good.
4. On the Phillips curve the vertical axis represents the rate of inflation, which can also take negative values.
5. When coloured engineers earn more than black assistant engineers it is a genuine case of racial discrimination.
6. The proportion of the population over 16 years and below 65 years that are going to school and housewives are classified as not in the labour force.
7. Efficiency wages are given to senior and executive management because of the efficiency they bring into the organisation.
8. The promotion of economic welfare of the organisation is an objective of the trade union in a negotiated labour agreement.
9. The natural rate of unemployment increases gradually as economies experience extended rates of high unemployment.
10. *Shirking* is the act of avoiding one's work, responsibilities and duties especially if they are difficult.

SECTION C

[30 MARKS]

SHORT ANSWER QUESTIONS

Answer ALL questions.

1. Differentiate between a decrease in *quantity of labour demanded supplied* and a decrease in the *supply for labour*, with the help of a diagram. **(6 marks)**
2. Explain three (3) determinants of labour demand? **(6 marks)**

3. Using a well labelled diagram show what would happen in labour market for Accountants in Botswana if the following happened. Illustrate using demand and supply curves, starting with an equilibrium position.
- a) If Botswana Institute of Chartered Accounts (BICA) reduced the number years of working experience for one to be considered an accountant in Botswana from 5 years to 3 years. **(5 marks)**
- b) If there is an increase in number of auditing and accounting firms in Botswana. **(5 marks)**
4. Explain two (2) conditions or assumptions for *perfect competition* in labour market that do not hold in the real world today. **(4 marks)**
5. Frictional unemployment is inevitable in every society. Justify with two (2) reasons why it is deemed to be desirable in some way. **(4 marks)**

SECTION D
[50 MARKS]
ESSAY QUESTIONS
ANSWER ANY TWO (2) QUESTIONS IN THIS SECTION
Question 1
25 MARKS

- a. Explain five (5) differences between the goods market and the labour market. **(10 marks)**
- b. Discuss any three (3) components of the labour agreement and elaborate on what each component entails. **(15 marks)**

Question 2
25 MARKS

- a. Define marginal revenue product (MRP) of labour. **(3 marks)**
- b. Complete the following information for a firm producing bags in a perfectly competitive market (*fill in the dotted portion only*). **(11 marks)**

Number workers	Bags produced	Average Product	Marginal Product	MRP
0	0	-	-	-
1	50	50	.....	.....
2	.....	55	.....	.....
3	200	.....	90	.....
4	.....	80	.....	6000
5	400	.....	80	.....

- c. Determine the selling price in Pula, per unit of output in this market (show your workings)? **(2 marks)**
- d. Show and explain the criteria used by firms to decide on the number of employees to be hired. **(3 marks)**
- e. Use the criteria mentioned in c) above to determine the number of employees the firm would hire at a wage rate of P5000. **(2 marks)**
- f. If the only cost the firm incurs is the wage, determine the profit made when they hire five (5) workers. **(4 marks)**

Question 3

25 MARKS

- a. Define unemployment hysteresis. **(3 marks)**
- b. Explain three (3) ways in which unemployment hysteresis can happen?
(6 marks)
- c. Discuss any two theories of discrimination giving relevant examples
(8 marks)
- d. Explain any two (2) types of unemployment from the list of three below.
Structural unemployment
Technological unemployment
Demand deficient unemployment **(8 marks)**

END OF EXAMINATION!!!