CENTRAL UNIVERSITY COLLEGE

END OF FIRST SEMESTER EXAMINATIONS: 2014/2015

FACULTY OF ARTS AND SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS

ECON 303
LABOUR ECONOMICS (3 CREDITS)

LEVEL 300

FEBRUARY, 2015

DURATION: 3 HOURS

STUDENT ID NO...

INSTRUCTIONS:

SECTION A: ANSWER ALL QUESTIONS
SECTION B: ANSWER QUESTION ONE AND ANY ONE OTHER QUESTION

DO NOT TURN OVER THIS PAGE UNTIL YOU HAVE BEEN TOLD TO DO SO BY THE INVIGILATOR

LECTURERS: PROF ADUSEI JUMAH, STEVEN NORTEY AND GODSON AHIABOR

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

1. An increase in the demand for a firm's product(s), all other things being equal will lead to
   - A. An increase in the firm's demand for labour
   - B. An increase in demand for labour by other firms
   - C. A decrease in demand for the product by the firm
   - D. A decrease in the firm's demand for labour

2. The initial length of time when the firm is locked into a fixed amount of plant and equipment is defined as the
   - A. The long run
   - B. The very long run
   - C. The short run
   - D. The very short run

3. In the short run, Guinness Ghana Limited would be able to vary
   - A. Its processing machinery
   - B. Its building only
   - C. Every factor of production
   - D. The number of workers in the factory

4. The following are all patterns resulting from the interaction of demand and supply of labour **except**
   - A. Employment
   - B. Wages
   - C. Prices
   - D. Income

5. The number of people in the labour force divided by the size of the adult civilian non-institutionalized population is known as
   - a. Labour force of the country
   - b. Labour supply of the country
   - c. Human capital
   - d. Labour force participation rate

6. In which of the following markets is labour traded?
   - A. Factor market
   - B. Goods market
   - C. Product market
   - D. Capital market

41. The level of unemployment divided by the labour force is called
    A. The unemployment rate
    B. The employment rate
    C. The unemployment level
    D. The employment level

42. Labour is traded in the labour market while commodities like wheat and steel are traded in the
    A. Financial market
    B. Food market
    C. Factor market
    D. Goods market

43. At the firm's optimal level of employment,
    A. The wage rate is higher than the marginal revenue product of labour
    B. The wage rate is lower than the marginal revenue product of labour
    C. The wage rate is equal to the average product of labour
    D. The wage rate is equal to zero

44. If the firm pays ¢80 as wage and the employee's marginal revenue product is ¢81,
    A. It is profitable to employ the worker
    B. It is not profitable to employ the worker
    C. It is neither profitable nor non-profitable to employ the worker
    D. The firm makes a loss by employing the worker

45. If the elasticity of demand for labour (ED)=0, it means that
    A. At the same wage rate, different worker would be demanded
    B. At the same wage rate, the same number of employees will be demanded
    C. At different wage rates, the same number of people will be demanded
    D. At different wage rates, varying numbers of employees will be demanded

46. A movement along the same demand curve for labour means the changes are caused by
    A. The level of employment
    B. The demand for labour
    C. The wage rate
    D. The supply of labour

47. In the circular flow diagram, an increase in the demand for labour leads to
    A. An increase in the supply of goods in the product market
    B. A decrease in the supply of goods in the product market
    C. A decrease in the wage of labour
    D. A decrease in the level of employment

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48. Which day of the year is dedicated to the celebration of workers?
   A. Sixth day of March
   B. First day of May
   C. First day of March
   D. First day of July

49. A unitary elastic demand curve for labour has an elasticity
   A. Greater than one
   B. Less than one
   C. Equal to one
   D. Equal to zero

50. At the point where the demand curve intersects the supply curve of labour,
   A. The equilibrium wage is determined but not the equilibrium employment
   B. The equilibrium wage and level of employment are both determined
   C. The equilibrium level of employment is determined but not the wage
   D. None of the above

INDICATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE

51. At the point of equilibrium, the slope of the isoquant is equal to the slope of the isocost ....

52. The slope of the isoquant is equal to the marginal rate of technical substitution ....

53. A shift in the firm's isocost is caused by a change in the factor cost of either capital or labour ....

54. The competitive firm's supply curve is the same as that of the industry ....

55. Under the marginal productivity theory, labour is assumed to be homogenous ....

56. If the elasticity of demand for labour is measured to be zero, the demand curve is horizontal ....

57. At a wage rate above the equilibrium wage, demand for labour is greater than the supply ....

58. The positively sloping portion of the supply curve is associated with a higher income level than the backward bending portion ....

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59. An increase in the demand for labour leads to a higher wage rate but a lower level of employment ....

60. The minimum wage is only set equal to the market equilibrium wage rate ....

SECTION B: ANSWER QUESTION ONE AND ANY 1 (ONE) OTHER QUESTION

QUESTION ONE: (20 marks)

Use the Table Provided Below To Answer the Questions That Follow

Labour Input (L)	Total Product (TP$_L$)	Average Product (AP$_L$)	Marginal Product (MP$_L$)	Marginal Revenue (MR) in Cedis	Marginal Revenue Product (MRP$_L$)	Wage Rate in Cedis
0		-	-	¢4		50
1		10	10	¢4		50
2		17	24	¢4		50
3		22		¢4		50
4		25		¢4		50
5		26		¢4		50
6	150	25		¢4		50
7	154	22		¢4	16	50
8		17		¢4		50

a. Calculate the Total Product of labour for all the levels of employment **(4 marks)**

b. Calculate the Marginal Product of labour from the third to the eighth levels of employment **(4 marks)**

c. Calculate the Marginal Revenue Product of labour for all the levels of employment **(4marks)**

d. What is the competitive firm's optimal level of employment? Explain your answer. **(4 marks)**

e. Derive the competitive firm's short run demand curve for labour and explain the nature of the curve **(4 marks)**

QUESTION TWO (20 marks)

In a particular industry, the labour supply function is $E_S = 6w-50$ while the labour demand function is $E_D = 330 - 14w$, where E is the level of employment and w is the hourly wage.

a. Determine the equilibrium wage rate and number of employment. **(4 marks)**

b. Assume the government enacts a wage legislation equivalent to GH ¢20, what is the result of this legislation. **(5 marks)**

c. Calculate the wage elasticity of labour demand at the equilibrium wage rate. **(4 marks)**

d. Calculate the unemployment rate **(3 marks)**

e. Calculate the total wage bill at the equilibrium wage rate **(2 marks)**

f. Calculate the total wage bill at the government's wage rate **(2 marks)**

QUESTION THREE (20 marks)

Explain the following concepts in labour economics

a. Labour force participation rate **(2marks)**

b. Minimum wage and labour market adjustment **(5marks)**

c. Structural unemployment **(9 marks)**

d. Efficiency wage theory **(2 marks)**

e. Reservation wage **(2 marks)**

QUESTION FOUR (20 marks)

a. Explain the human capital model **(4 marks)**

b. What are the costs and benefits of attending college? **(4 marks)**

c. What factors affect the worker mobility decision? **(4 marks)**

d. What are the returns to migration **(4 marks)**

e. Explain the immigration and employment nexus **(4 marks)**

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