



CENTRAL UNIVERSITY

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FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ECON 309 (3 CREDITS)

LABOUR ECONOMICS

LEVEL 300

19TH JANUARY, 2018

2 HOURS

STUDENT ID No.....

INSTRUCTIONS

ANSWER ALL QUESTIONS IN SECTION A & TWO QUESTIONS IN SECTION B

• (Please note that QUESTION ONE in Section B is COMPULSORY)

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INVIGILATOR**

LECTURERS: Prof. Adusei Jumah, Davis Adu-Larbi & Rev. Godson Ahiabor

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

1. The side of labour economics which looks at the interrelations between the labour, goods, money and the foreign trade markets is
 - A. The microeconomic side
 - B. The macroeconomic side
 - C. The supply of labour side
 - D. The demand for labour side

2. The competitive firm is a wage taker; this means its supply elasticity is
 - A. Infinity
 - B. Zero
 - C. One
 - D. Greater than one

3. The negatively sloping labour demand curve shows that
 - A. The wage rate rises as the level of employment rises
 - B. The level of employment falls as the wage rate falls
 - C. The wage rate rises as the level of employment remains the same
 - D. The level of employment falls as the wage rate rises

4. The wage rate in the individual competitive firm is determined by
 - A. The interaction of the demand curve and the perfectly elastic supply curve
 - B. The interaction of the downward sloping demand curve and the upward sloping supply curves of labour
 - C. The interaction of the supply curve and the perfectly elastic demand curve
 - D. The interaction of the upward sloping demand curve and the downward sloping supply curves of labour

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

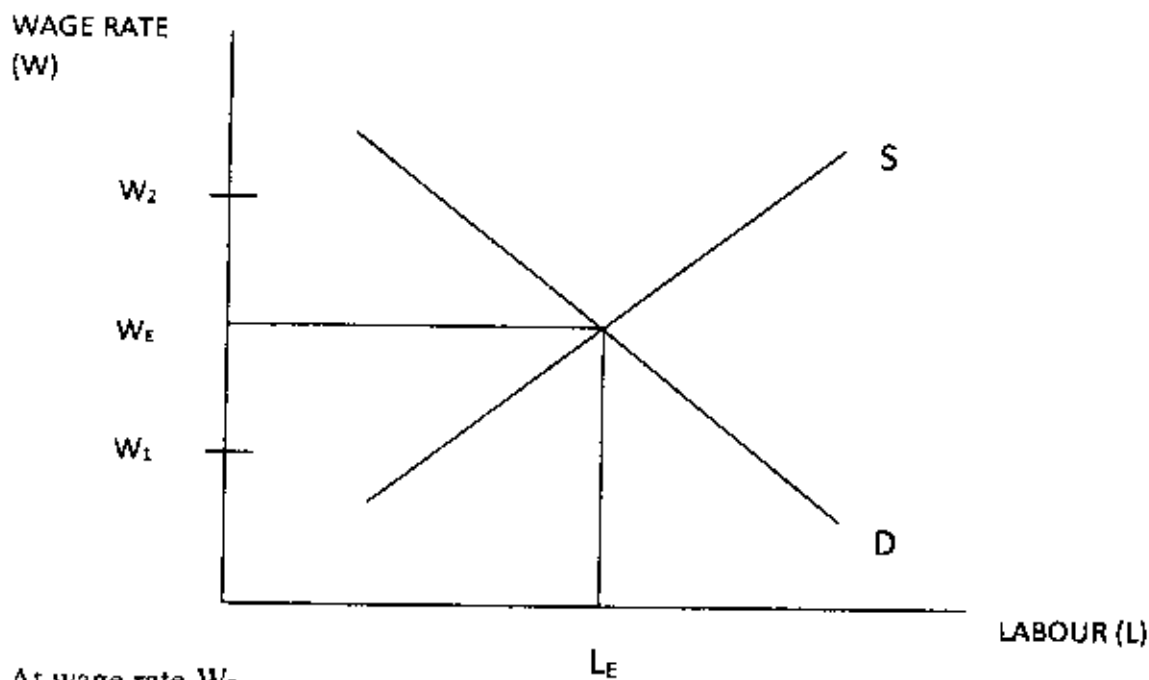
6. According to the marginal productivity theory, as long as additional workers bring in more revenue than the cost of hiring them,

- A. The firm adds to its profit by reducing employment
- B. The firm makes losses by increasing employment
- C. The firm adds to losses by increasing employment
- D. The firm adds to its profits by increasing employment

7. If additional workers bring in less revenue than the cost of hiring them,

- A. The firm adds to its cost by hiring them
- B. The firm adds to its profit by hiring them
- C. The firm adds to both profit and costs by hiring them
- D. The firm does not add to both profit and cost by hiring them

USE THE DIAGRAM BELOW TO ANSWER THE QUESTIONS 8-14



8. At wage rate W_2 ,

- A. Demand for labour is equal to the supply of labour
- B. Demand for labour is more than the supply of labour
- C. Demand for labour is less than the supply of labour
- D. Supply of labour is less than the demand for labour

9. At W_2 , the difference between the demand and supply of labour will lead to
- A. The tendency for the wage rate to fall
 - B. The tendency for the wage rate to rise
 - C. No change in the wage rate
 - D. All of the above
10. The diagram illustrates the equilibrium wage determination in
- A. The individual competitive firm
 - B. The individual uncompetitive firm
 - C. The market or industry
 - D. None of the above
11. At W_2 , the difference between the demand and supply of labour will lead to
- A. The tendency for the wage rate to fall
 - B. The tendency for the wage rate to rise
 - C. No change in the wage rate
 - D. All of the above
12. At wage rate W_1 ,
- A. The level of desired employment will not change
 - B. The supply of labour will be greater than the level of desired employment
 - C. The level of desired employment will be bigger than the supply of labour
 - D. The level of desired employment will be less than the supply of labour
13. The competitive firm operating within the market will pay
- A. The wage rate W_2
 - B. Above wage rate W_2
 - C. Below wage rate W_E
 - D. Exactly the wage rate W_E
14. At wage rate W_1 , the tendency is for the wage rate to rise because
- A. Surplus labour will lead to competition among employers
 - B. Surplus labour will lead to competition among suppliers of labour
 - C. Shortage of labour will lead to competition among supplier of labour
 - D. Shortage of labour will lead to competition among employers

15. Which of the following best describes the relationship between the marginal product and average product of labour?
- A. Average product always rises faster than the marginal product
 - B. Both fall and rise equally
 - C. The marginal product rises and falls faster than the average product
 - D. None of the above
16. When the total product of labour reaches its maximum,
- A. The average product of labour is equal to zero
 - B. The average product is equal to the total product
 - C. The marginal product is negative
 - D. The marginal product is zero
17. A demand curve which has its elasticity being infinity is
- A. Perfectly elastic
 - B. Perfectly inelastic
 - C. Unitary elastic
 - D. None of above
18. A rightward shift in the demand curve for labour, given the supply curve will lead to
- A. An increase in the wage rate and a decrease in the level of employment
 - B. A decrease in the wage rate and an increase in the level of employment
 - C. A decrease in the wage rate and the level of employment
 - D. An increase in the wage rate and the level of employment
19. The wage rate in the individual competitive firm is determined by
- A. The interaction of the demand curve and the perfectly elastic supply curve
 - B. The interaction of the downward sloping demand curve and the upward sloping supply curves of labour
 - C. The interaction of the supply curve and the perfectly elastic demand curve
 - D. The interaction of the upward sloping demand curve and the downward sloping supply curves of labour
20. Which of the following is not an assumption underlying the determination of wages?
- A. Business firms seek to maximize profits and workers seek to maximize utility
 - B. Workers and firms have imperfect information about wages and job opportunities in the labour market
 - C. All jobs in the labour market are open to competition by workers
 - D. The labour market is composed of many individual firms on the buyer's side and many workers on the seller's side

21. The minimum wage is usually set
- A. Equal to the equilibrium wage rate
 - B. Below the market determined wage rate
 - C. Above the market determined wage rate
 - D. Lower than the equilibrium wage rate
22. The setting of the minimum wage rate will lead to
- A. Shortage of labour
 - B. Increase in the demand for labour over supply
 - C. Surplus labour
 - D. Demand and supply of labour being equal
23. If W_1 is below the equilibrium wage rate,
- A. Demand for labour will be greater than the supply
 - B. Demand for labour will be lower than the supply
 - C. Demand for labour will be equal to supply
 - D. There will be surplus labour
24. In practice, the actual length of the short run
- A. Is the same across industries
 - B. Varies from industry to industry
 - C. Varies among firms and not among industries
 - D. Is the same among firms and industries
25. Which of the following is true of the marginal productivity theory?
- A. The marginal product of labour is bigger than the total product at all levels
 - B. The average product of labour is bigger than the total product at all levels
 - C. The marginal product of labour is always positive
 - D. For the average to fall the marginal product must also be falling
26. The wage rate is constant in the marginal productivity analyses because
- A. The firm is operating in the short run
 - B. The firm is operating in a perfectly competitive market
 - C. The firm is operating in the long run
 - D. The firm is maximizing profit

27. If employers demand the same number of workers regardless of whether the wage rate falls or rises, then

- A. Their demand for labour is unitary elastic
- B. Their demand for labour is perfectly inelastic
- C. Their demand for labour is perfectly elastic
- D. Their demand for labour is inelastic

28. determines the dollar worth to the firm of the marginal product of each worker

- A. Average product of labour
- B. Marginal revenue product
- C. Total product of labour
- D. Marginal product of labour

29. If the demand for labour is perfectly inelastic, the elasticity of demand is

- A. Equal to one
- B. Infinity
- C. Equal to zero
- D. Less than one

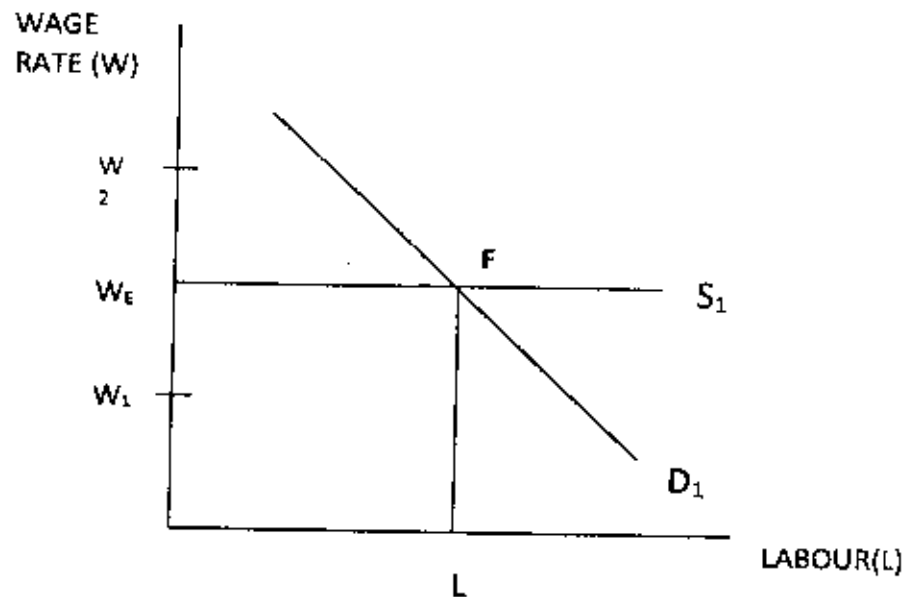
30. Which institution in Ghana represents workers in wage negotiations?

- A. Labour Union of Ghana
- B. Workers Union of Ghana
- C. Trades Union Congress
- D. Workers Brigade

31. If the supply curve of labour shifts to the left, then given the same demand curve

- A. An increase in the wage rate and a decrease in the level of employment
- B. An increase in the wage rate as well as the level of employment
- C. An increase in the wage rate and a decrease in the level of employment
- D. A decrease in the wage rate and an increase in the level of employment

USE THE DIAGRAM BELOW TO ANSWER QUESTIONS 32-35



32. Which of the following will occur if the wage rate W_1 is paid?
- In the long run the firm will be out of business due to high cost
 - Supply of labour will be indeterminate
 - Supply of labour will be zero
 - Demand for labour by the industry will be zero
33. The competitive firm will pay workers W_E because
- The industry is a wage taker
 - The industry is a wage giver
 - The firm is a wage taker
 - The firm has an inelastic supply curve
34. The competitive firm will pay workers W_E because
- The industry is a wage taker
 - The industry is a wage giver
 - The firm is a wage taker
 - The firm has an inelastic supply curve

35. Which of the following will occur if the firm decides to pay W_1
- A. Shortage of labour
 - B. Surplus of labour
 - C. Demand for labour will equal supply of labour
 - D. Demand for labour will be less than the supply
36. . If the number of people currently employed is divided by the adult population or by the population of working age, we obtain
- A. The employment level
 - B. The labour force
 - C. The participation rate
 - D. The employment rate
37. The short run labour demand depicts the relationship between the
- A. Labour's desired level of employment and wage rate
 - B. The firm's desired level of employment and wage rate
 - C. Labour and capital inputs in the firm's production
 - D. The wage rate and the hours of labour supplied
38. If the additional revenue obtained from employing an additional worker is greater than or equal to the increase in wage cost (W), the firm should
- A. Fire the worker
 - B. Hire the worker
 - C. Make the worker redundant
 - D. Retrench the worker
39. The long run is a sufficiently long period of time for the firm to
- A. Vary the amounts of labour while capital remains constant
 - B. Vary the amounts of capital while labour remains constant
 - C. Keep both labour and capital constant over the period
 - D. Vary the amounts of both labour and capital, given factor prices
40. A negatively sloped supply curve for labour indicates that
- A. The individual will work for more hours at higher wages
 - B. The individual will work for more hours at lower wages
 - C. The individual will work less hours at higher wages
 - D. The individual will work for more hours at lower wages

41. A backward bending supply curve is
- A. Positively sloped at low wages but negatively sloped at high wages
 - B. Negatively sloped at low wages but positively sloped at high wages
 - C. Negatively sloped at low and high levels of wages
 - D. Positively sloped at both high and low wage levels
42. Given a positively sloping supply curve for labour, an increase in the wage rate will lead to
- A. A decrease in the number of hours labour works
 - B. An increase in the demand for labour
 - C. A decrease in the demand for labour
 - D. An increase in the number of hours labour works
43. A negatively sloping supply curve of labour implies that
- A. Labour prefers higher income to leisure
 - B. Labour prefers leisure to higher income
 - C. Labour prefers lower income to leisure
 - D. Labour prefers leisure to lower income
44. The elasticity of labour demand represents
- A. The percentage change in wage as a result of a change in labour demand
 - B. The percentage change in labour supply as a result of a change in wage
 - C. The percentage change in wage as a result of a change in labour supply
 - D. The percentage change in labour demand as a result of a change in wage
45. If the demand for labour is perfectly inelastic, the elasticity of demand is
- A. Equal to one
 - B. Infinity
 - C. Equal to zero
 - D. Less than one
46. If the percentage change in labour demand exceeds the percentage change in the wage rate, the demand for labour is said to be
- A. Unitary elastic
 - B. Inelastic
 - C. Inelastic
 - D. Elastic

47. A perfectly elastic demand curve is

- A. Horizontal
- B. Vertical
- C. Convex to the origin
- D. Concave to the origin

48. The marginal revenue product is obtained by

- A. Multiplying the average product of labour by the marginal revenue
- B. Multiplying the marginal product of labour by the marginal revenue
- C. Multiplying the wage rate by the marginal revenue
- D. Multiplying the quantity of output by the marginal revenue

49. The increment in production contributed by each additional worker who is hired is measured by the

- A. Average product of labour
- B. Total product of labour
- C. Average cost of labour
- D. Marginal product of labour

50. By multiplying the average product of labour by the number of labour input, we obtain

- A. Marginal revenue product of labour
- B. Marginal product of labour
- C. Total quantity of output of labour
- D. The wage rate of labour

51. If the elasticity of labour demand is 0.95, then the firm has

- A. An inelastic demand
- B. An elastic demand
- C. A perfectly inelastic demand
- D. A perfectly elastic demand

52. The compensation for labour per period of time is referred to as

- A. Earnings
- B. Compensation
- C. Wage
- D. Wage rate

53. If the workers increase the number of hours they work in a day by 10% as a result of a 5% increase in their wage rate then they have
- A. A perfectly elastic supply of labour
 - B. A perfectly inelastic supply of labour
 - C. An inelastic supply of labour
 - D. An elastic supply of labour
54. Firms in a competitive market are wage takers hence their supply curve is
- A. Inelastic
 - B. Elastic
 - C. Perfectly elastic
 - D. Perfectly inelastic
55. If the elasticity of demand for labour is zero (0), then the demand curve for labour
- A. Slopes downward from left to right
 - B. Slopes upwards from left to right
 - C. Is vertical
 - D. Is horizontal
56. A change in the wage rate results in
- A. A movement along the same demand curve for labour
 - B. A shift in the demand curve for labour
 - C. A shift in the supply curve of labour
 - D. A decrease in both the demand and supply of labour
57. Which of the following institution(s) is not part of wage negotiations for the setting of the minimum wage in Ghana?
- A. Ghana Chamber of commerce
 - B. Ghana Employers association
 - C. Trades Union of Ghana
 - D. Government of Ghana
58. Ghanaians who work for gain as well as those who are unemployed but seeking work are collectively known as
- A. Labour force participation rate
 - B. Labour force
 - C. Labour
 - D. Labour supply

59. The skills that workers possess and not necessarily their actual work is known as

- A. Labour force
- B. Labour force participation rate
- C. Human capital
- D. Labour

60. Those who are not looking for work as well as those who are institutionalized are collectively referred to as

- A. Non labour force
- B. Non participation rate
- C. Labour force
- D. Labour force participation rate

SECTION B: ANSWER QUESTION ONE AND ANY OTHER IN THIS SECTION

QUESTION ONE

Assume a firm in perfectly competitive product and labour market with a production function $Q = f(K, L)$ operating in the short run period of production where capital is fixed.

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

Labour Input (L)	Total Product of Labour (TPL)	Average Product of Labour (APL)	Marginal Product of Labour (MPL)	Market Price of the Product per Unit	Marginal Revenue Product (MRPL)	Wage Rate in Cedis
0	0	-		4		140
1	15			4		140
2	35		20	4		140
3	70			4		140
4	110			4		140
5	160			4		140
6	220			4		140
7	250	30		4		140
8	205			4	-20	140

- a. Compute the Average Product of Labour (AP_L), Marginal Product of Labour (MP_L) and Marginal Revenue Product of Labour (MRP_L) (10 marks)
- b. What is the optimal level of employment for this competitive firm? Explain your answer (5 marks)
- c. If the Workers' Union succeed in negotiating the wage rate upwards to 200 cedis, what will happen to the level of employment? (5 marks)
- d. Derive the competitive firm's short run demand curve and explain the nature of the curve you have derived. (5 marks)

QUESTION TWO

Explain the following concepts in the context of the labour market

- a. Labour force participation rate (2 marks)
- b. Minimum wage (5 marks)
- c. Structural Unemployment (4 marks)
- d. The law of one wage (5 marks)
- e. Perfectly elastic demand for labour (4 marks)

QUESTION THREE

- a. Explain the human capital model (4 marks)
- b. What are the costs and benefits of attending college (4 marks)
- c. What factors affect worker mobility decision (4 marks)
- d. Explain Globalization (4 marks)
- e. Mention and explain two types of Unemployment (4 marks)

QUESTION FOUR

- a. What are the returns to migration? (4 marks)
- b. Explain the immigration and employment nexus (4 marks)
- c. Mention and explain two impacts of globalization on workers in Ghana (4 marks)
- d. Explain a Trade Union and mention the types in Ghana (4 marks)
- e. Mention and explain two effects of trade Unions (4 marks)