



**CENTRAL  
UNIVERSITY**

FAITH • INTEGRITY • EXCELLENCE

**2019/2020 END OF FIRST SEMESTER EXAMINATIONS**

**FACULTY OF ARTS AND SOCIAL SCIENCES  
DEPARTMENT OF ECONOMICS**

**ECON 309: LABOUR ECONOMICS  
(LEVEL 300)**

Time Allowed: 3 Hours

**Instructions:**

1. Answer **ALL** questions in **section A**.
2. In **section B**, answer two (2) questions With Question one being Compulsory
3. All solutions must be presented in the answer booklet provided.

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1. 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
  
2. 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
  
3. 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
  
4. 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
  
5. 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
  
6. 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
  
7. A perfectly elastic demand curve is
  - A. Horizontal
  - B. Vertical
  - C. Convex to the origin
  - D. Concave to the origin
  
8. 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

9. 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

10. 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

11. 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

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

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

13. 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

14. Firms in a competitive market are wage takers hence their supply curve is

- A. Inelastic
- B. Elastic
- C. Perfectly elastic
- D. Perfectly inelastic

15. 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

16. 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

17 Which sector of the economy has shown the greatest percentage reduction in employment since 1900?

- A. Agriculture.
- B. 2. Manufacturing (goods-producing).
- C. 3. Government.
- D. 4. Services.

18 A person's real wages are:

- A. What is really reported on their paycheck after taxes have been taken out.
- B. Nominal wages divided by some index of prices.
- C. The same thing as their discretionary income.
- D. Always equal to their nominal wages.

19 Which is not an example of payment in-kind to an employee?

- A. A Christmas bonus of \$100 cash.
- B. Employer-provided health care.
- C. Paid vacation time.
- D. Free membership to the company's health club.

20 At the market-clearing wage rate:

- A. There is an excess supply of labour.
- B. There is an excess demand for labour.
- C. Demand for labour equals supply of labour.
- D. Unintended inventory accumulation will necessarily result in the output market.

21 The demand for labour is a \_\_\_\_\_.

- A. final demand
- B. primary demand
- C. tertiary demand
- D. derived demand

22 A profit-maximizing firm will hire labour until \_\_\_\_\_ equals the \_\_\_\_\_.

- A. marginal revenue product, wage
- B. long run marginal revenue, long run marginal cost
- C. labour output ratio, capital output ratio
- D. marginal cost of labour, marginal revenue product

23 The downward sloping marginal physical product of labour is the firm's \_\_\_\_\_.

- A. supply of labour
- B. short-run demand curve for labour
- C. marginal cost of labour
- D. marginal revenue product of labour

24 The marginal product of labour is:

- A. The change in output when an extra worker is employed.
- B. The change in sales revenue when an extra worker is employed.
- C. The change in profits when an extra worker is involved.
- D. The change in wages when an extra worker is employed.

25 When there is only one buyer of a particular good or factor of production in a market, the buyer is \_\_\_\_\_.

- A. a monopsonist
- B. a monopolistic competitor
- C. an oligopsonist
- D. duopoly

26 In response to an increase in the wage rate, the substitution effect \_\_\_\_\_ hours worked and the income effect \_\_\_\_\_ hours, if leisure is a normal good.

- A. Increases, increases
- B. Increases, decreases
- C. Decreases, increases
- D. Decreases, decreases

27 Individuals from which selection can be done after applying all recruitment strategies are classified as

- A. labor force population
- B. applicant population
- C. applicant pool
- D. labor market

28 In an organization, process of qualified individual's pool generation for specific jobs is classified as

- A. stalling
- B. recruiting
- C. analyzing
- D. leading

29 Supply pool outside organization to attract individuals for job is classified as

- A. compression market
- B. affirmative market
- C. applicant market
- D. labor market

- 30 Subset population of total labor force population is classified as
- A. applicant pool
  - B. labor market
  - C. labor force population
  - D. applicant population
- 31 Total numbers of individuals who are selected for actual Evaluation are classified as
- A. labor force population
  - B. applicant population
  - C. applicant pool
  - D. labor market
- 32 To be counted as one of the official unemployed, one needs to be:
- A. Under 15 and a full-time student.
  - B. 15 or older and incarcerated in a corrections facility.
  - C. 15 or older and not seeking employment.
  - D. 15 or older and actively seeking employment.
- 33 Which of the following persons is not considered a part of the labour force?
- A. A 59-year-old former nuclear physicist who, after being dismissed from his prior job, got so fed up with not being able to find a job worthy of him that he quit looking for work three years ago.
  - B. A recently-divorced 30-year-old housewife who is actively seeking her first job.
  - C. A 19-year-old part-time dishwasher.
  - D. A 45-year-old secretary who got discharged Friday morning and went looking for new work that afternoon.
- 34 Which sector of the economy has shown the greatest percentage reduction in employment since 1900?
- A. Agriculture.
  - B. Manufacturing (goods-producing).
  - C. Government.
  - D. Services.
- 35 A person's real wages are:
- A. What is really reported on their paycheck after taxes have been taken out.
  - B. Nominal wages divided by some index of prices.
  - C. The same thing as their discretionary income.
  - D. Always equal to their nominal wages.
36. The own-wage elasticity of demand measures
- A. Change in wages divided by change in quantity of labor demanded.
  - B. Change in quantity of labor demanded divided by change in wages.
  - C. Percentage change in wages divided by percentage change in quantity of labor demanded.
  - D. Percentage change in quantity of labor demanded divided by percentage change in wages.

37. If an increase in the minimum wage leads to higher aggregate earnings by the workers affected, then the own-wage elasticity of demand is
- Elastic.
  - Inelastic.
  - Of unit elasticity.
  - Uncertain; more information is needed.
38. Moving from the upper to the lower portion of a straight labor demand curve, the elasticity
- Changes from elastic to inelastic.
  - Changes from inelastic to elastic.
  - Stays the same.
  - Could change from inelastic to elastic, or from elastic to inelastic.
39. If the quantity of steel workers demanded falls from 30,000 to 20,000 when the equilibrium wage increases from \$9.00 per hour to \$11.00 per hour, then the own-wage elasticity of demand for these workers is
- 2.0
  - 0.5
  - 0.4
  - 0.2
40. If the quantity of auto workers demanded decreases from 66,000 to 54,000 when the equilibrium wage increases from \$12.00 per hour to \$14.00 per hour, then the own-wage elasticity of demand for these workers is
- Inelastic.
  - Elastic.
  - Zero.
  - Neither elastic nor inelastic.
41. If Industry A can substitute capital for labor easily and Industry B can not, then (other things equal)
- Industry A's own-wage elasticity of demand will be higher than Industry B's.
  - Industry B's own-wage elasticity of demand will be higher than Industry A's.
  - The industries' own-wage elasticities of demand will be equal.
  - We cannot predict which firm's own-wage elasticity of demand will be higher.
42. If two inputs are gross complements, the cross-wage elasticity of demand for the two inputs will be
- Zero.
  - One.
  - Positive.
  - Negative.
43. The labour force include
- those who are employed and unemployed.
  - those who are employed.
  - those who are of working age.
  - the entire population.
44. Labour force participation rate is
- Labour force / Population.

- B. Number employed / Labour force.
- C. Number Unemployed / Population.
- D. Population / Labour force.

45. Unemployment rate is

- A. Labour force / Population.
- B. Number unemployed / Labour force.
- C. Number Unemployed / Population.
- D. Population / Labour force.

46. Employment population ratio is

- A. Labour force / Population.
- B. Number employed / Labour force.
- C. Number employed / Population.
- D. Population / Labour force.

47. Wage rate is defined as

- A. Earnings + other payments, such as fringe benefits.
- B. Pay per unit of time worked.
- C. Total compensation + non-labour income.
- D. Wage rate x units of time worked.

48. 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

49. 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

50. 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



51. The workers of Nestle Ghana Limited increased the number of hours they work in a day by 10 percent because of a 5 percent wage increase. Their supply is
- Elastic
  - Inelastic
  - Perfectly elastic
  - Perfectly inelastic
52. The number of people in the labour force divided by the size of the adult civilian non-institutionalized population is known as
- Non labour force
  - Labour force
  - Labour
  - Labour force participation rate
53. The labour force minus the number of people currently employed is termed as
- The unemployment rate
  - The employment rate
  - The unemployment level
  - The employment level
54. Ghanaians who work for gain as well as those who are unemployed but seeking work are collectively known as
- Labour force participation rate
  - Labour force
  - Labour
  - Labour supply
55. The skills that workers possess and not necessarily their actual work is known as
- Labour force
  - Labour force participation rate
  - Human capital
  - Labour
56. If Kwatsons printing press is able to vary all of its inputs in order to meet a certain output target, then
- Kwatsons is operating in its very short run period of production
  - Kwatsons is operating in its short run period of production
  - Kwatsons is operating in its long run period of production
  - Kwatsons is operating in both time periods
57. If additional workers bring in less revenue than the cost of hiring them,
- The firm adds to its cost by hiring them
  - The firm adds to its profit by hiring them
  - The firm adds to both profit and costs by hiring them
  - The firm does not add to both profit and cost by hiring them

58. If teenagers and adults are substitutes in production, and the wage of teenagers falls, then
- A. They must be gross substitutes and the employment of adults will fall.
  - B. They must be gross complements and the employment of adults will fall.
  - C. They could be either gross substitutes or gross complements and the employment of adults could rise or fall.
  - D. They must be gross substitutes and the employment of adults will rise.
59. Own-wage elasticities of demand are
- A. Always positive.
  - B. Always negative.
  - C. Either positive or negative.
  - D. Positive for gross complements, negative for gross substitutes.
60. 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

**SECTION A: Question one is compulsory and must be attempted.**

**QUESTION ONE**

1. Assume Agro-Ashanti Plc is operating in a perfectly competitive product and labour market with an equilibrium price and wage rate of GH¢3.00 and GH¢108.00 respectively.

The following hypothetical production information (see the table below) is given for the company where the amount of capital is assumed fixed.

Quantity of Labour (L)	Quantity of Output (Q)	Average Product of labour	Marginal Product of Labour	Marginal Revenue	Marginal Revenue Product of Labour	Wage Rate
0	0					
1	15					
2	34					
3	68					
4	105					
5	141					
6	160					
7	145					

- a. Compute of Average Product of Labour (APL), **3mks**
- b. Marginal Revenue Product of Labour (MPRL), **6 mks**
- c. Marginal Product of Labour (MPL), **3 mks**
- d. At what level of employment of employment would the firm experience the optimum level **4mks**
- e. At quantity 3 should the firm produce and why. **2mks**
- f. At quantity 7 should the firm produce and why. **2mks**

**QUESTION TWO.**

- a. Explain the term unemployment and a discourage worker (5 marks).
- b. Mention and explain three (3) causes of unemployment and solution (15 marks)

**QUESTION THREE.**

- a. What is globalization (5 marks)
- b. Mention and explain three positive effects and three negative effects of globalization on work and labour. (10 marks)
- c. Mention and explain the difference between is minimum wage and living wage.