

# CENTRAL UNIVERSITY



## FACULTY OF ARTS AND SOCIAL SCIENCES

### DEPARTMENT OF ECONOMICS AND DEVELOPMENT STUDIES

END OF FIRST SEMESTER EXAMINATION – 2022/2023

ECON 309: LABOUR ECONOMICS (CBS)

LEVEL 300

MORNING

FEBRUARY 2023

DURATION 2 HOURS

STUDENT ID No.....

#### INSTRUCTIONS:

- (i) Answer ALL from section A and Two (2) Questions from Section B with Question one compulsory
- (ii) All Answers must be provided on the Answer Sheet

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

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**SECTION A**  
**OBJECTIVES (60 marks)**

- 1 Those holding the classical view of the labour market are likely to believe that
  - a) monetary and fiscal policy have a substantial effect on output and employment in both the short run and the long run
  - b) monetary and fiscal policy have some effect on output and employment in both the short run and the long run
  - c) monetary and fiscal policy have little or no effect on output and employment in both the short run and the long run
  - d) monetary and fiscal policy have some effect on output and employment in the short run, but not in the long run
  - e)
- 2 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
- 3 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
- 4 In an organization, process of qualified individual's pool generation for specific jobs is classified as
  - a) staffing
  - b) recruiting
  - c) analyzing
  - d) leading
- 5 Supply pool outside organization to attract individuals for job is classified as
  - a) compression market
  - b) affirmative market
  - c) applicant market
  - d) labor market
- 6 Subset population of total labor force population is classified as
  - a) applicant pool
  - b) labor market
  - c) labor force population
  - d) applicant population

- 7 Total numbers of individuals who are selected for actual Evaluation are classified as
- labor force population
  - applicant population
  - applicant pool
  - labor market
- 8 To be counted as one of the official unemployed, one needs to be:
- Under 15 and a full-time student.
  - 15 or older and incarcerated in a corrections facility.
  - 15 or older and not seeking employment.
  - 15 or older and actively seeking employment.
- 9 Which of the following persons is not considered a part of the labour force?
- 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.
  - A recently-divorced 30-year-old housewife who is actively seeking her first job.
  - A 19-year-old part-time dishwasher.
  - A 45-year-old secretary who got discharged Friday morning and went looking for new work that afternoon.
- 10 Which sector of the economy has shown the greatest percentage reduction in employment since 1900?
- Agriculture.
  - Manufacturing (goods-producing).
  - Government.
  - Services.
- 11 A person's real wages are:
- What is really reported on their paycheck after taxes have been taken out.
  - Nominal wages divided by some index of prices.
  - The same thing as their discretionary income.
  - Always equal to their nominal wages.
- 12 Which is not an example of payment in-kind to an employee?
- A Christmas bonus of \$100 cash.
  - Employer-provided health care.
  - Paid vacation time.
  - Free membership to the company's health club.
- 13 At the market-clearing wage rate:
- There is an excess supply of labour.
  - There is an excess demand for labour.
  - Demand for labour equals supply of labour.
  - Unintended inventory accumulation will necessarily result in the output market.

- 14 The demand for labour is a \_\_\_\_\_.
- a) final demand
  - b) primary demand
  - c) tertiary demand
  - d) derived demand
- 15 When we say that labour demand is a derived demand, we are referring to government initiatives to increase employment
- a) True
  - b) False
- 16 As more labour is used the marginal physical product of labour increases
- a) True
  - b) False
- 17 A profit-maximizing firm will hire labour until \_\_\_\_\_ equals the \_\_\_\_\_
- a) marginal revenue, marginal cost
  - b) long run marginal revenue, long run marginal cost
  - c) labour output ratio, capital output ratio
  - d) marginal cost of labour, marginal revenue product
- 18 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
- 19 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.
- 20 A firm is a monopsonist if it is the only seller of a particular product.
- a) True
  - b) False
- 21 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

- 22 The labour demand curve for a perfectly competitive industry is the horizontal sum of each firm's labour demand curves.
- a) True
  - b) False
- 23 The participation rate in the labour force is affected by
- a) higher real wages
  - b) lower fixed costs of working
  - c) lower non-labour income
  - d) changes in tastes between leisure and work
  - e) all of the above
- 24 An industry's equilibrium output and employment level is determined by:
- a) the demand for the industry's output.
  - b) the wages paid to workers in other sectors of the economy.
  - c) the level of the economy's capital stock.
  - d) all of the above are determinants.
- 25 Assuming a perfectly competitive industry with equilibrium in the labour market, a negative shift in labour demand is likely to:
- a) increase the real wages paid to workers.
  - b) reduce the real wages paid to workers.
  - c) increase the number of workers employed.
  - d) Both A and C.
- 26 Top footballers tend to earn more than lecturers because
- a) footballers give more entertainment
  - b) lecturers are lazy
  - c) the labour markets are imperfect
  - d) top footballers are relatively scarce in relation to lecturers
- 27 Human capital can be described as
- a) the tools used by workers to enhance productivity
  - b) a persons inherited abilities
  - c) the stock of expertise accumulated by a worker
  - d) education
- 28 The supply of highly educated workers is fixed in long run
- a) True
  - b) False
- 29 Skilled labour is relatively scarce because
- a) there are too few teachers
  - b) too few student places in higher education
  - c) it is costly to acquire human capital

- d) teachers' salaries are too low
30. The opportunity cost of acquiring education is \_\_\_\_\_
- a) course fees
  - b) course fees and living expenses
  - c) the earnings foregone
  - d) course fees, living expenses and textbooks
31. 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
32. 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
33. 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
34. 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
35. 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
36. 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. Perfectly inelastic
  - D. Elastic

37. A perfectly elastic demand curve is
- A. Horizontal
  - B. Vertical
  - C. Convex to the origin
  - D. Concave to the origin
38. 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
39. 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
40. 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
41. 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
42. The compensation for labour per period of time is referred to as
- A. Earnings
  - B. Compensation
  - C. Wage
  - D. Wage rate
43. 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
44. Firms in a competitive market are wage takers hence their supply curve is
- A. Inelastic
  - B. Elastic
  - C. Perfectly elastic
  - D. Perfectly inelastic

45. If the elasticity of demand for labour is zero (0), then the demand curve for labour
- Slopes downward from left to right
  - Slopes upwards from left to right
  - Is vertical
  - Is horizontal
46. A change in the wage rate results in
- A movement along the same demand curve for labour
  - A shift in the demand curve for labour
  - A shift in the supply curve of labour
  - A decrease in both the demand and supply of labour
47. Which of the following institution(s) is not part of wage negotiations for the setting of the minimum wage in Ghana?
- Ghana Chamber of commerce
  - Ghana Employers association
  - Trades Union of Ghana
  - Government of Ghana
48. 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
49. The skills that workers possess and not necessarily their actual work is known as
- Labour force
  - Labour force participation rate
  - Human capital
  - Labour
50. 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
51. Those who are not looking for work as well as those who are institutionalized are collectively referred to as
- Non labour force
  - Non participation rate
  - Labour force
  - Labour force participation rate
52. 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



53. The negatively sloping labour demand curve shows that
- The wage rate rises as the level of employment rises
  - The level of employment falls as the wage rate falls
  - The wage rate rises as the level of employment remains the same
  - The level of employment falls as the wage rate rises
54. 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
55. 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
56. 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
57. The level of unemployment divided by the labour force is called
- The unemployment rate
  - The employment rate
  - The unemployment level
  - The employment level
58. Labour is traded in the labour market while commodities like wheat and steel are traded in the
- Financial market
  - Food market
  - Factor market
  - Goods market
59. At the firm's optimal level of employment,
- The wage rate is higher than the marginal revenue product of labour
  - The wage rate is lower than the marginal revenue product of labour
  - The wage rate is equal to the average product of labour
  - The wage rate is equal to zero
60. If the firm pays €80 as wage and the employee's marginal revenue product is €81,
- It is profitable to employ the worker
  - It is not profitable to employ the worker
  - It is neither profitable nor non-profitable to employ the worker
  - The firm makes a loss by employing the worker

**SECTION B**  
**QUESTION ONE and one other Question (40 MARKS)**

**QUESTION ONE [20marks]**

- a) Assume Ahiabor Poly Company is operating in a perfectly competitive product and labour market with an equilibrium price and wage rate of GH¢8.00 and GH¢296.00 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), **(3marks)**  
 b. Marginal Revenue Product of Labour (MPRL) **(6marks)**  
 c. Marginal Product of Labour (MPL). **(3marks)**  
 d. At what level of employment of employment would the firm experience the optimum level. **(4marks)**  
 e. At quantity 3 should the firm produce and why. **(2marks)**  
 f. At quantity 7 should the firm produce and why. **(2marks)**

**QUESTION TWO. [20marks]**

- a) Explain the term discourage workers (5 marks)  
 b) Mention and explain four (4) causes of unemployment (10 marks)  
 c) Suggest three ways in which prejudice by employers can be eliminated as suggested by Becker according to the Household model. (5 marks).

**QUESTION THREE [20marks]**

- a) What is elasticity of demand for labour? (5 marks)
- b) Mention and explain two (2) determinants of elasticity of demand for labour. (6 marks).
- c) Explain Three types of Elasticity of Demand (9 marks)

**QUESTION FOUR [20marks]**

- a) What is globalization (4 marks)
- b) Mention and explain two (2) positive effects and two (2) negative effects of globalization on work and labour. (8 marks)
- c) Explain Efficiency wage and Living wage. (8 marks)