

UGANDAMARTYRS UNIVERSITY
NKOZI

UNIVERSITY EXAMINATIONS
SUPPLEMENTARY/SPECIAL EXAMINATIONS

FACULTY OF SCIENCE

DEPARTMENT OF ECONOMICS

Labour Economics
ECO 2103

DATE: 6TH AUGUST 2015

TIME: 2: 00- 5:00 PM

DURATION: 3HRS

Instructions:

1. Carefully read through ALL the questions before attempting
 2. **ANSWER FOUR (4) Questions ONLY.** (Each question carries equal marks)
 3. No **names** should be written anywhere on the examination book.
 4. Ensure that your **Reg Number** is indicated on all pages of the examination answer booklet.
 5. Ensure your work is **clear** and **readable**. Untidy work shall be penalized
 6. Any type of examination Malpractice will lead to automatic disqualification
 7. Do not write anything on the questions paper.
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QUESTION ONE

- (a) Using relevant examples, distinguish between Horizontal labour mobility and Vertical labour mobility *(04marks)*
- (b) Suppose a worker's time is allocated between leisure activities and work. Using relevant graphs, explain the difference between budget constraint of worker with non labour income and that of the worker without non labour income *(05 marks)*
- (c) Explain the labour leisure decision of a utility maximizing worker *(06marks)*
- (d) Explain why there is low mobility of labour in developing countries *(10marks)*

QUESTION TWO

- (a) Assuming a perfectly competitive labour market, explain the impact of an increase in demand for labour on equilibrium wage rate and the level of employment keeping labour supply constant *(7 marks)*
- (b) Suppose that the demand and supply of doctors are given by $L_d = 140,000 - 100W$ and $L_s = 80,000 + 50W$.
 - (i) What is the equilibrium wage rate and the level of employment of doctors in this market? *(6 marks)*
 - (ii) Compute and comment on the elasticity of demand for doctors in this labour market at equilibrium market conditions *(5 marks)*
 - (iii) Suppose the government intervenes in the labour market and sets a fixed wage rate for doctors at $W = \$200$, what would be the nature and amount of the market imbalance created in the labour market? Hence state the wage policy the government would have applied in this case. *(7 marks)*

QUESTION THREE

- (a) Briefly explain the Ratchet effect and show how it can impact on the productivity of labour in the production process *(5 marks)*
- (b) As a student of Labour Economics at Uganda Martyrs University, explain the Marginal productivity theory of labour and discuss its limitations in explaining the current labour market situation in Uganda. *(20 marks)*

QUESTION FOUR

- (a) Discuss the role of each of the key actors in the labour market. *(09 marks)*
- (b) Using relevant graphic expositions, explain how the minimum wage fixed by the government creates unemployment in the labour market. *(06marks)*
- (c) Taking Kakira Sugar Works in Uganda as an example of a manufacturing industry and using clearly well labeled diagrams, explain the effect of an increase in the wage rate on employment hours *(10 marks)*

QUESTION FIVE

- (a) Briefly explain the following concepts
- i) Non sequential job search *(5marks)*
 - ii) Life cycle hypothesis of labour supply *(6 marks)*
- (b) Discuss why unemployment levels remain high in developing countries despite policy interventions by governments. *(14marks)*

QUESTION SIX

- (a) Why do workers join trade unions? *(7marks)*
- (b) Discuss the view that trade unions are losing their relevance as the major vehicle for the protection and improvement of workers terms and conditions of employment *(18marks)*

END- GOOD LUCK