UGANDAMARTYRS UNIVERSITY
NKOZI

UNIVERSITY EXAMINATIONS

FACULTY OF SCIENCE

DEPARTMENT OF ECONOMICS

END OF SEMESTER ONE FINAL ASESSMENT

ECO 2103: LABOUR ECONOMICS

DATE: 4TH DECEMBER 2014

TIME: 9: 30- 12:30 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.

Question one

(a) Explain the labour leisure decision of a utility maximizing worker *(7marks)*

(b) Discuss the effect of an increase in non labour income on the hours of work keeping the wage rate constant *(8 marks)*

(c) Account for low productivity of labour in developing countries *(10 marks)*

Question Two

(a) Assuming a perfectly competitive labour market, explain how an increase in supply of labour would impact on the equilibrium wage rate and the level of employment keeping labour demand constant *(7 marks)*

(b) Using a relevant graphic exposition, explain how a minimum wage fixed by the government creates unemployment in the labour market *(8 marks)*

(c) Explain the Business cycle theory of labour supply and show how it affects labour force participation rate in the economy *(10 marks)*

Question Three

(a) Consider a sector with a union in the labour market. Suppose that the demand and supply curves for labour are given by the equations

Demand: $L_d = 140,000 - 100W$; Supply: $L_s = 80,000 + 50W$.

(i) What is the equilibrium wage rate and employment levels in the sector? *(6 marks)*

(ii) Now suppose the union succeeds in negotiating a wage for its members at US$500, compute and graphically illustrate whether the new wage rate will create a labour surplus or deficit in the sector *(7 marks)*

(b) Explain the challenges facing trade unions in Uganda *(12 marks)*

Question Four

(a) Discuss the manpower problems facing developing countries today *(15marks)*

(b) In your view, what could be the possible remedies to the above problems? *(10 marks)*

Question Five

(a) How can persistent wage differentials across occupations, industries and regions be explained?

(15 marks)

(b) What government policies are being implemented to minimize wage differentials in Uganda?

(10*marks*)

Question Six

(a) Briefly explain the following terms as applied to labour markets

    i) Non sequential job search   **(5marks)**

    ii) Tournaments   **(5marks)**

(b) As a student of Labour economics at Uganda Martyrs University, explain the Keynesian theory of unemployment and discuss its limitations in explaining the current labour market situation in Uganda.   **(15 marks)**

END (GOOD LUCK)