

UGANDA MARTYRS UNIVERSITY

FACULTY OF SCIENCE
DEPARTMENT OF ECONOMICS

UNIVERSITY EXAMINATIONS
SEMESTER I, 2013/14

THIRD YEAR EXAMINATIONS FOR BACHELOR OF SCIENCE
(B.ECON & GEN)

LABOUR ECONOMICS

DATE: 11TH DECEMBER 2013

TIME: 10:00 - 1:00 PM

Instructions:

- i) Read the question paper carefully.
 - ii) Answer any Four questions.
 - iii) All questions carry equal marks.
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Question One

- (a) Basing on your knowledge of labour supply, and using graphic expositions, explain the likely impact of a wage increase on labour leisure decision of a utility maximizing worker (10marks)
- (b) Explain the ways in which labour mobility can be defined and discuss the factors that limit labour mobility in developing countries (15marks)

Question Two

The following questions deal with the market for teachers, which is assumed to be perfectly competitive.

- (a) Draw a supply and demand diagram of this market. Indicate the equilibrium wage rate and equilibrium level of teachers hired. (03marks)
- (b) Explain the impact of a decrease in the supply of teachers on the equilibrium wage and level of employment keeping their demand constant (05marks)
- (c) Suppose that the demand and supply of teachers are given by $L_d = 100,000 - 150W$ and $L_s = 20,000 + 350W$. What is the equilibrium wage in this market? How many teachers are employed (05marks)
- (d) Suppose that at any given wage, 20,000 teachers exit the labour market. What will the new supply curve be? What will be the new equilibrium wage and level of employment? Is this the same answer your diagram predicted in (b) above? (08marks)
- (e) Suppose the government imposes a payroll tax of \$500 on firms employing teachers, find the new equilibrium wage level (04marks)

Question Three

- (a) Define the term reservation wage and show how it relates to the level of unemployment in the economy (05marks)
- (b) Despite the high growth rate registered by Uganda's Economy in the last decade, the state of labour and labour market conditions continues to worsen. Explain the possible causes of this phenomenon and suggest the possible remedies necessary to avert the current trend. (20marks)

Question Four

- (a) The available empirical evidence shows that the more educated workers are less likely to be unemployed and have shorter unemployment spells than the less educated workers. Justify this statement using the sectoral shifts hypothesis (6marks)
- (b) Explain why a job seeker is better off by pursuing a sequential search strategy than a non sequential search strategy (5marks)
- (c) Explain the Keynesian theory of unemployment and show its policy gaps in combating the high unemployment rates experienced by developing countries today. (14marks)

Question Five

- (a) Briefly explain *the Ratchet effect* and show how it is dangerous to the production unit in the long run. (05marks)
- (b) Briefly explain any four theories that are manifested in wage determination in labour markets of different economies (8marks)
- (c) Account for the persistence of the inferior labour market opportunities experienced by women as compared to their male counterparts especially in developing countries. (12marks)

Question Six

- (a) Discuss the various strategies that can be employed by Trade Unions in an attempt to achieve their objectives (12marks)
- (b) Explain 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 (13marks)

END (GOOD LUCK)