



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT**

**EXAMINATION PAPER**

**COURSE CODE** : CEC202  
**COURSE TITLE** : LABOUR ECONOMICS  
**DURATION** : 3 Hours  
**LEVEL** : 2.1  
**DATE** : 17 AUG 2021

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**SPECIAL REQUIREMENTS**

1. Present Value and Annuity Table,
2. Graph Paper
3. Use of non-programmable calculators

**INSTRUCTIONS TO CANDIDATES:**

4. No cell phones are allowed in the examination venue.
5. Answer any **FOUR (4)** questions.
6. The number of marks for each question or part question is shown in brackets [ ]
7. Show all your workings in order to gain full marks.
8. Begin each answer on a new page.

### QUESTION ONE

- a. Suppose that, initially, an economy is in equilibrium with no unemployment:  $L_S = 1,000,000 + 200W$  and  $L_D = 19,000,000 - 300W$ , where  $W$  = the annual wages and  $L$  = the number of workers. Then, structural unemployment arises because the demand for labor falls, but wages there are inflexible downward and no one moves out of state. If labor demand falls to  $L_D = 18,000,000 - 300W$ , how many workers will be unemployed in this economy? What will be its unemployment rate? **[15 marks]**
- b. Indians and Nigerians working in Zimbabwe have average earnings that are equal to, or above, those of Zimbabweans. When is different treatment not discriminatory? **[10 marks]**

### QUESTION TWO

- a. In many countries, higher education is heavily subsidized by the government. While there may be good reasons for heavily subsidizing university education, there are also some dangers in it. Using human capital theory, explain what these dangers are? **[15 marks]**
- b. Explain the functions of trade unions in Zimbabwe **[10 marks]**

### QUESTION THREE

- a. Suppose that the adult population is 210 million, and there are 130 million who are employed and 5 million who are unemployed. Calculate the unemployment rate and the labor force participation rate. **[6 marks]**
- b. The following table gives the demand and supply for cashiers in retail stores.

Wage rate (\$)	Number of cashiers demanded	Number of cashiers supplied
3	200	70
4	180	100
5	170	120
6	150	150
7	130	160
8	110	175
9	80	190

- i. Plot the supply and demand curves. **[5 marks]**
- ii. What are the equilibrium wage and employment levels in this market? **[2 marks]**
- iii. Suppose the number of cashiers demanded increases by 30 at every wage rate. Plot the new demand curve. What are the equilibrium wage and employment level now? **[6 marks]**
- iv. From the original demand function above, how many cashiers would have jobs if the wage paid was \$8.00 per hour? Discuss the implications of an \$8 wage in the market for cashiers. **[6 marks]**

#### QUESTION FOUR

- a. Referring to the output and substitution effects, explain why an increase in the wage rate for autoworkers will generate more of a negative employment response in the long run than in the short run. Assume there is no productivity increase and no change in the price of non-labour resource. **[10 Marks]**
- b. ZEGU is considering hiring more support staff to ensure smooth running of the institution. Explain to the management as a labour specialist, what determines ZEGU's demand for labour? **[15 marks]**

#### QUESTION FIVE

The demand curve for gardeners is  $G_D = 19 - W$ , where  $G$  = the number of gardeners, and  $W$  = the hourly wage. The supply curve is  $G_S = 4 + 2W$ .

- a. Graph the demand curve and the supply curve. What is the equilibrium wage and equilibrium number of gardeners hired? **[10 Marks]**
- b. Suppose the government imposes a \$2 per hour tax on all gardeners. Indicate the effect of the tax on the market for gardeners. **[5 Marks]**
- c. What is the effect on the equilibrium wage and the equilibrium number of gardeners hired? **[3 marks]**
- d. How much does the government receive as tax revenue? **[3 marks]**
- e. Define and list three properties of indifference curves. **[4 marks]**