



ZIMBABWE EZEKIEL GUTI UNIVERSITY

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FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

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DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CEC202  
COURSE TITLE : LABOUR ECONOMICS  
DURATION : 3 Hours  
LEVEL : 2.1  
DATE :

27 OCT 2021

**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.

1 PM

### QUESTION ONE

Table 1 summarizes Lafarge's production when it hires different numbers of workers, holding capital constant. If it hires one worker, it produces 10 units of output.

| Number of workers employed | Cement produced | Marginal product (units) | Value marginal product (\$) |
|----------------------------|-----------------|--------------------------|-----------------------------|
| 0                          | 0               |                          |                             |
| 1                          | 10              |                          |                             |
| 2                          | 27              |                          |                             |
| 3                          | 47              |                          |                             |
| 4                          | 66              |                          |                             |
| 5                          | 83              |                          |                             |

- Calculate the Marginal Product of labor ( $MP_L$ ) and complete the table above [5 marks]
- Do you observe the law of diminishing marginal returns? Explain. [5marks]
- Suppose each cake sells for \$100. Calculate the Marginal Revenue Product of labour ( $MRP_L$ ) [5marks]
- Draw the  $MRP_L$  curve, which is the demand curve for cement. [5 marks]
- Briefly explain factors that influence Lafarge's demand for labor [5 marks]

### QUESTION 2

With reference to portraying labor supply in Zimbabwe explain the Todaro Model

[25 marks]

### QUESTION THREE

ZCTU faces a demand curve in which a wage of \$12 per hour leads to demand for 5000 person-hours, and a wage of \$13 per hour leads to demand for 2000 person-hours. ZIMTA faces a demand curve in which a wage of \$26 per hour leads to demand for 4000 person-hours, whereas a wage of \$25 per hour leads to demand for 3500 person-hours.

- (a) Calculate the elasticity of demand for ZCTU and ZIMTA [6 marks]
- (b) Which union will be more successful in increasing the total income (wages times person-hours) of its membership and why? [4 marks]
- (c) What determines the elasticity of demand [15 marks]

### QUESTION FOUR

Lisa thinks the treatment she experienced at the interview was unlawful because she was asked questions around childcare that would not have been asked of a man applying for the job. She thinks she was turned down for the supervisor job because the boss had apparent concerns about her childcare arrangements judging by the questions she was repeatedly asked. He would not have asked these questions if it was a man applying for this role.

- a) Discuss reasons for discrimination in the labor market [15marks]
- b) Suppose this is true, what information would you require before judging this to be evidence of labor market discrimination? [10 marks]

### QUESTION FIVE

- a. Lisa works in sales but is considering quitting work for two years to earn a Masters degree in Business Administration. Her current job pays \$40000 per year (after taxes), but she could earn \$55000 per year (after taxes) if she had a master's degree in business administration. Tuition is \$10,000 per year, and the cost of an apartment near campus is equal to the \$10,000 per year she is currently paying. Lisa's discount rate is 6 % per year. She just turned 48 and plans to retire when she turns 60, whether or not she gets her MBA. Based on this information, should she go to school to earn her MBA? Explain carefully and show calculations [15 marks]
- b. Explain the meaning of unemployment and distinguish the three types unemployment [10marks]