



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CEC212  
COURSE TITLE : LABOUR ECONOMICS  
DURATION : 3 Hours  
LEVEL : 2.1  
DATE : 09 FEB 2022

**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. Rutendo is offered \$100 in 2021 or \$125 in five years later. Suppose that the interest rate is 4%. Calculate the present value of the \$125 option. Which option should she take if you're her goal is to choose the option with the larger present value? **[10 marks]**
- b. Does Human capital theory explain the value of higher education? Critically evaluate this statement. **[15Marks]**

### QUESTION TWO

Since the independence of Zimbabwe in 1980, the movement of the black population into the urban areas has increased. This can be attributed to a number of factors including but not limited to removal of the influx control legislation, the stagnation of employment opportunities on commercial farms and perceived higher wages in the cities than in communal lands. With reference to labor supply patterns in Zimbabwe, critically analyze the relevancy of the Todaro model in explaining labor supply dynamics in Zimbabwe. **[25 marks]**

### QUESTION THREE

Econet 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. Netone 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 Econet and Netone **[6Marks]**
- (b) Explain factors that affect the elasticity of demand **[12Marks]**
- (c) Chinese and Nigerians working in Zimbabwe have average earnings that are equal to, or above, those of Zimbabweans. Does this fact imply that they are not victims of labor market discrimination? **[7 marks]**

### QUESTION FOUR

Table 1 summarizes Olivine'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 labor ( $MRP_L$ ) [5marks]
- Draw the demand curve for labor. [5 marks]
- Briefly explain factors that influence Olivine's demand for labor [5 marks]

### QUESTION FIVE

- The Zimbabwe Congress of Trade Unions is the primary trade union federation in Zimbabwe. However, there are many other trade unions in the country for example Zimbabwe Teachers Associations (ZimTA) and Zimbabwe Medical Association (ZiMA) among others. Comment on the functions of trade unions in Zimbabwe. [15Marks]
- Explain causes of labor discrimination in the labor market [10Marks]