



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

COURSE CODE : CEC 212
COURSE TITLE : LABOUR ECONOMICS
SPECIAL REQUIREMENTS : NONE
DURATION : 3 Hours
LEVEL : 2.1
DATE : 09 OCT 2023

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue
2. Use of silent, non-programmable calculators is allowed
3. Answer ALL questions in both Section A and Section B.
4. Begin each question on a new page in section B.
5. The number of marks for each question or part question is shown in brackets []

QUESTION ONE

- a. Suppose you are offered \$100 now or \$125 in five years. Let the interest rate be 4%. Calculate the present value of the \$125 option. Which option should you take if your 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

- a. Human capital theory explains the value of higher education? Critically evaluate this statement with reference to Zimbabwe labor market. **[20 Marks]**
- b. Primrose is offered \$200 in 2020 or \$350 in five years later. Suppose that the interest rate is 10%. Calculate the present value of the \$350 option and comment on which option should she take if her goal is to choose the option with the larger present value? **[5 marks]**

QUESTION THREE

- a. Explain causes of labor discrimination in the labor market **[10 Marks]**
- b. Zambians and Ethiopians 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? **[15 marks]**

QUESTION FOUR

Table below summarizes Olivine's production when it hires different numbers of workers, holding capital constant.

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

You are a labour economics expert. Your Managing Director requested you to use the scale and substitution effect analysis to illustrate and explain how the wage cut can reduce the price of labor relative to that of capital. [25 marks]