

UNIVERSITY OF FORT HARE

**Labour Economics
ECO 323/E**

Supplementary Examination

2024

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Time: 3 Hours

Subject: ECO 323/E

Marks: 100

This paper consists of 3 pages including the cover page

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INSTRUCTIONS

Answer any FOUR questions.

Each question carries equal marks.

Write legibly and where necessary draw clear and fully labelled graphs.

Answer any FOUR questions

Question One [25 Marks]

- A. What circumstances tend to cause an individual to choose not to participate in the labour force? Discuss with relation to:
- i. differences in educational level [3]
 - ii. the presence of preschool children in the household [3]
 - iii. the level of the spouse/partner's income [3]
 - iv. race or nationality of the individual [3]
- B. Define a corner solution in the labour market. Discuss with the aid of well-labelled graphs how the corner solution arises. What is the role of the reservation wage in the decision to work? Explain. [13]

Question Two [25 Marks]

- A. Suppose capital markets are imperfect: workers cannot borrow the funds to pay for their general human capital investments. Will firms pay for them? Explain. [5]
- B. Using the relevant equations, discuss how non-labour income inclusion impacts the time, goods, and budget constraints. [10]
- C. "Employees who undergo training improve their work performance, which helps them become more efficient and effective and increase their earnings." Illustrate and explain the main difference in the earnings patterns in the case of general and specific training. [10]

Question Three [25 Marks]

- A. "Bargaining" is defined as "to haggle or wrangle to arrive at some agreement on terms of give and take". The word "negotiate" is "akin to bargaining and means to confer with a view to compromise and agreement." (ceosa.org.za) Explain any FIVE factors influencing the power of collective bargaining councils in South Africa. [10]
- B. Discuss the concept of labour market discrimination in terms of employer discrimination and job crowding hypothesis and consider the relevance of such

theories to the South African situation. Use appropriate diagram(s) to support your answers [15]

Question Four [25 Marks]

- A. Discuss the core assumption of human capital theory. [5]
- B. "The trade-off between work and leisure will not be the same for different individuals." With the aid of relevant illustration(s), differentiate between worker preferences of the leisure lover and workaholic. [10]
- C. Evaluate the relevance of the transaction cost model in South Africa. [10]

Question Five [25 Marks]

- A. Why is it important to use the present value concept when examining human capital investments? [5]
- B. "Unemployment is probably the most severe problem in South Africa and is conceivably the root cause of many other problems such as crime, violence, poverty and inequality" (Yu and Roos, 2018). Discuss the reasons why it is believed that job creation should become the highest policy priority in South Africa. [10]
- C. Illustrate and explain the equilibrium implications for a competitive economy containing many regional markets when labour and firms are free to enter and exit the various markets. Why is the resulting allocation of labour efficient? [10]

END OF EXAMINATION

