

UNIVERSITY OF CAPE COAST
DEPARTMENT OF ECONOMICS
SECOND SEMESTER EXAMINATION, 2010/2011

ECO 416: LABOUR ECONOMICS

ANSWER THREE (3) QUESTIONS TIME ALLOWED: 2HRS

1. There are many possible reasons that the competitive model of supply and demand is not appropriate for analyzing labour market in Ghana. Discuss this assertion.
2. The introduction of the Single Spine Salary Structure would led to a change in the wage rate of most workers in Ghana. Discuss the effect of the change in the wage rate on labour demand (support your discussion with diagrams).
3. Most Ghanaians are of the view that the increasing graduate unemployment in Ghana can be attributed to the introduction of the Senior Secondary School System. As an expert, do you agree to this? Discuss.
4. The utility function of an individual has be estimated to be in the form $U = C^a L^b$, where $a + b = 1$ and C and L are consumption goods and leisure respectively.

Given that $p = 1$, $W = \$6$ per hour, $V = \$30$ and $T = 35$ hours per week.

Where p is the price of goods, W is the wage Rate, $V = \text{Non labour Income}$ and $T = \text{Total Number of Hours worked}$

- a. Calculate the equilibrium hours of work for the individual, if $a = 0.6$.
 - b. Calculate the reservation wage.
 - c. Estimate the individual's full income, and therefore, the total cost of the equilibrium leisure added, based on your answer in a.
 - d. Calculate the change in equilibrium labour supply, if the individual loses all non labour income.
5. Given the utility function $U = (C, L) = C^8 L$, Subject to a constraint, $Y = WH + V$
Where $Y = \text{income}$, $W = \text{wage rate}$, $H = \text{number of hours worked}$, $V = \text{Non-Labour Income}$
- a. Find the labour supply;
 - b. Show the effect on the number of hours, when non labour income increases.
 - c. Find the labour supply curve, if the time available to the individual is 24 hours.
 - d. What would be the shape of the supply curve?