

**Eastern University, Sri Lanka**  
**Faculty of Commerce and Management**

**Third Year First Semester Examination in BBA Hons in Human Resource Management**  
**2021/2022 Proper/ Repeat (Feb/ March 2024)**  
**ECN 3102 Labor Economics**

**Answer all Questions**

**Time: 02 Hours**

1. a. What are the special features of labour? Briefly explain. ( 05 Marks)
- b. Analyze the impact of the following changes on wages and employment in a given occupation:  
i. A decrease in the danger of the occupation.  
ii. An increase in product demand.  
iii. Increased wages in alternative occupations. ( 06 Marks)
- c. Suppose that the supply curve for lifeguards is  $L_S = 20$ , and the demand curve for lifeguards is  $L_D = 100 - 20W$ , where  $L$  = the number of lifeguards and  $W$  = the hourly wage.  
i. Graph both the demand and supply curves.  
ii. Now, suppose that the government imposes a tax of \$1 per hour per worker on companies hiring lifeguards. Draw the new (after-tax) demand curve in terms of the employee wage.  
iii. How will this tax affect the wage of lifeguards and the number employed as lifeguards? ( 09 Marks)
- d. When the cost of dough-making machines fell by 10 percent, the demand for assistant bakers fell by 15 percent.  
i. What is the cross-wage elasticity of demand for assistant bakers in this case?  
ii. Are assistant bakers and dough-making machines gross substitutes or gross complements? (05 Marks)
- (Total 25 Marks)**
2. a. Briefly explain the effects of increases in income and wages on leisure-work preferences of a person. (07 Marks)

b. "Indifference curves show the various combinations of income and the hours of leisure per day that will yield the same level of happiness". Graphically show how a rational labourer reach the optimum combination of leisure and work with his/ her budget constraints.

(08 Marks)

c. Graphically explain the impact of minimum wage in the Monopsony market.

(10 Marks)

**(Total 25 Marks)**

3. a. What are the reasons for the long-term wage differentials?

(05 Marks)

b. Graphically explain the employer preferences for wages versus risk of injury.

(10 Marks)

c. Discuss the potential effects of Artificial Intelligence (AI) on employment, including job displacement and the creation of new roles.

(10 Marks)

**(Total 25 Marks)**

4. a. What are the three types of investment in human capital? Briefly explain.

(05 Marks)

b. The theory of investment in human capital development states that investment in human capital is significant for improving the workers' knowledge, skills and productivity. Explain the effect of increase in university enrolments on wage or earning of university graduates.

(10 Marks)

c. Analyse the cost and benefit of trade union membership.

(10 Marks)

**(Total 25 Marks)**