

**NATIONAL UNIVERSITY OF LESOTHO**

**FACULTY OF LAW**

**PGD IN LABOUR LAW (CONCILIATION AND ARBITRATION)**

**FINAL EXAMINATIONS**

**LPD 102- LABOUR ECONOMICS**

MAY 2018

MARKS: 100

TIME: 3 HOURS

**INSTRUCTIONS:**

1. Read questions carefully.
  2. Answer **FOUR** (4) questions in all.
  3. All questions carry equal marks.
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## QUESTION 1

- (a) According to John Locke, *Two Treatises on Government* (1680 -1690), Book II, Chapter 5 of Property paragraph 27:

Though the earth and all inferior creatures be common to all men, yet every man has a "property" in his own "person". This nobody has any right to but himself. The "labour" of his body and the "work" of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state Nature placed it in, it hath by this labour something annexed to it that excludes the common right of other men. For this "labour" being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.

Explain the foregoing quotation

[25 MARKS]

## QUESTION 2

In labour law and labour relations, an employment relationship is believed to involve three partners; namely, employers (firms), employees (households) and the Government; it is a tripartite relationship so to speak. Labour economists also believe that the main players (decision-makers) in the market are the households, firms and the Government.

Describe the essence of labour economics in this connection

[25 MARKS]

## QUESTION 3

- (a) The income effect on the demand for petrol, when the price of petrol increases from M1.50 to M1.60, is likely to be greater for someone who drives a lot than for someone who does not drive very much. (Give a verbal explanation. You do not have to graph this.)

True or false, and explain?

**15 MARKS**

(b) Efficiency wages may increase unemployment when Employment Protection Legislation is introduced. Explain.

**10 MARKS**

**[25 MARKS]**

### **QUESTION 3**

Discuss the following concepts

- (a) The Labour Supply Curve
- (b) Job Markets
- (c) Labour Force
- (d) Non Labour Wage
- (e) Utility function

**[25 MARKS]**

### **QUESTION 4**

When the labour supply elasticity is less than one, it is said to be *inelastic*, but if it is greater than one, it is said to be *elastic*. This is so because the elasticity of the labour supply varies from cohort to cohort and according to the quantity of the variables under consideration. Bearing this in mind:

- (a) You are required to outline any THREE statistical and measurement problems associated with lack of precision in the estimates. **6 MARKS**
- (b) Notwithstanding the foregoing problems, you are required to outline the generally accepted basics associated with labour supply elasticity. **19 MARKS**

**[25 MARKS]**



**QUESTION 5**

(a) Labour demand is said to be derived demand, substantiate the above statement. **6 MARKS**

(b) Outline the Marxist Labour supply theory **10 MARKS**

(c) Show the effect of trade union on wages rate and employment in a perfectly competitive labour market. **4 MARKS**

(d) Assume that, in one week, a utility maximising worker's non-labour income is M100, he has 110 hours of non-sleeping time available for work or leisure and he earns M10 per hour. At that wage rate, the worker works 40 hours per week. If the wage rate is increased by 100% while non-labour income, wage rate, and sleeping time remained constant.

You are required to determine the labour supply elasticity for this individual using the relevant formula. **5 MARKS**

**[25 MARKS]**

**QUESTION 5**

Briefly discuss any FIVE of the following concepts:

(a) Neoclassical model of labour-leisure choice **5 MARKS**

(b) The utility function **5 MARKS**

(c) Substitution effect **5 MARKS**

(d) Income effect **5 MARKS**

(e) The reservation wage **5 MARKS**

**[25 MARKS]**